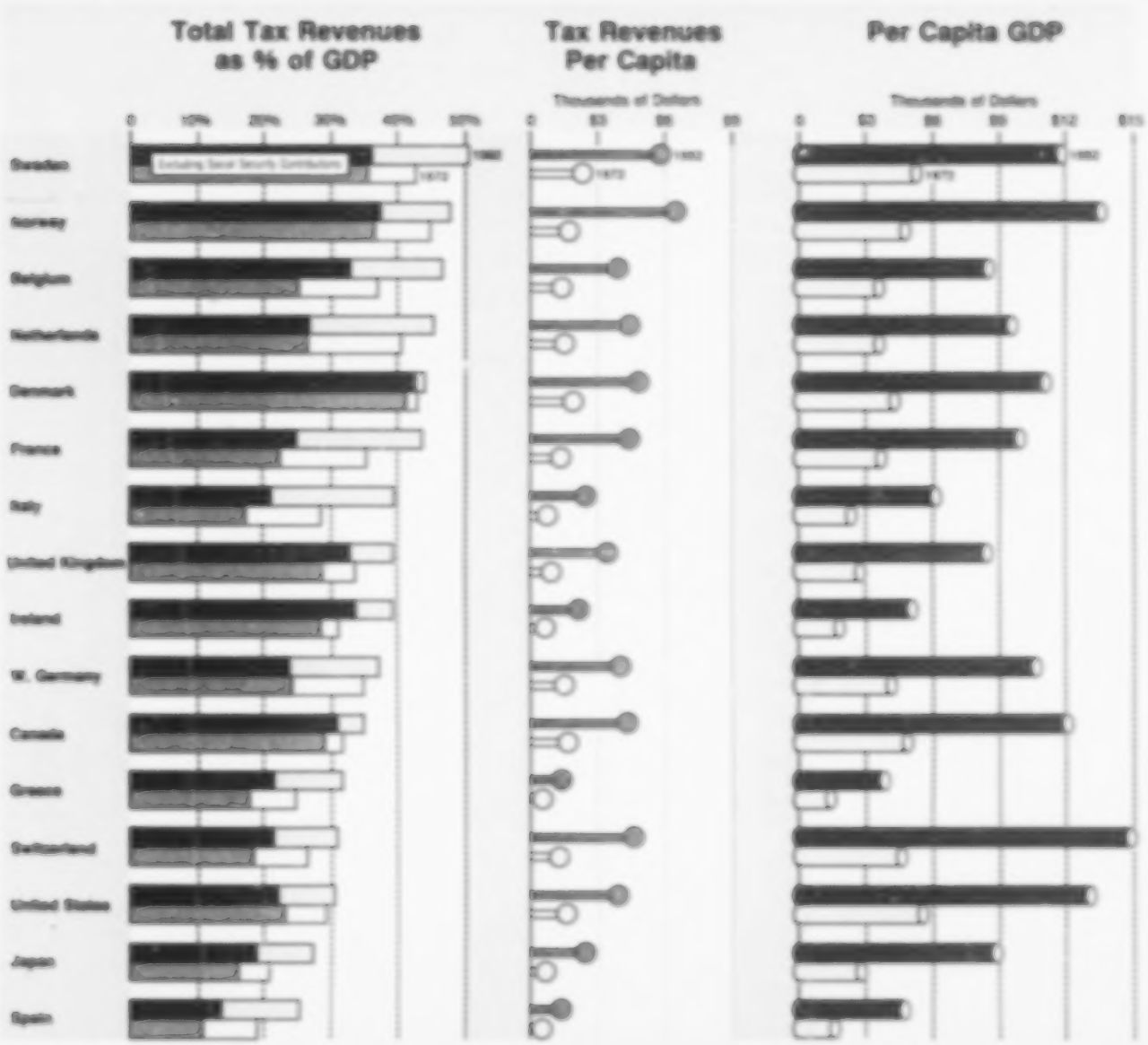
The Conference Board

Taxes in Industrial Countries

Economic Road Map
No. 1986–1987

December, 1984
January, 1985

A country's tax burden is commonly measured by the ratio of total tax revenues to Gross Domestic Product (GDP). For the 24 OECD member countries as a whole, this ratio rose steadily from an average of 27% in 1965 to 31% in 1972 and 37% in 1982, but the extent of the increase varied greatly from country to country. The ratio rose by about one third in Japan, Italy and Spain, by a quarter in France and Belgium, and 17% in the U.K., while the United States and Denmark showed the lowest increases of 4% and 3%, respectively. Overall, Northern European countries and France are the most heavily taxed: Tax receipts in these countries account for over 40% of GDP. Germany and Canada are about average (mid 30s%) and the United States, Japan and Switzerland are at the lower end, with a tax-to-GDP ratio of around 30% percent.



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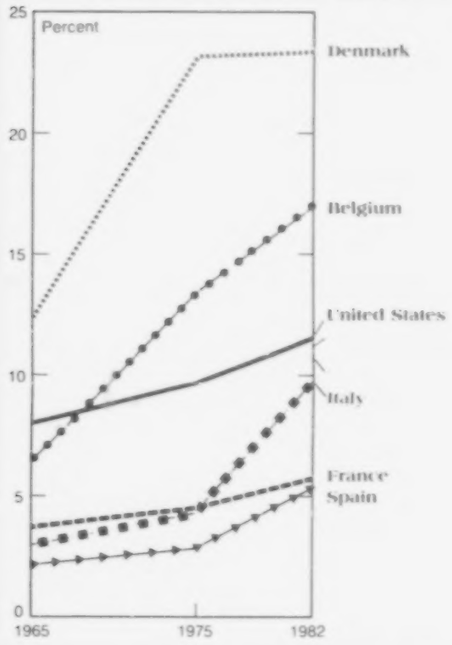
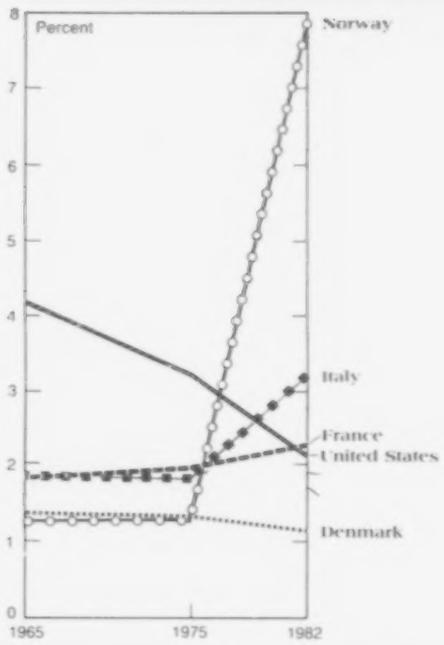
Selected Tax Receipts as Percent of Gross Domestic Product

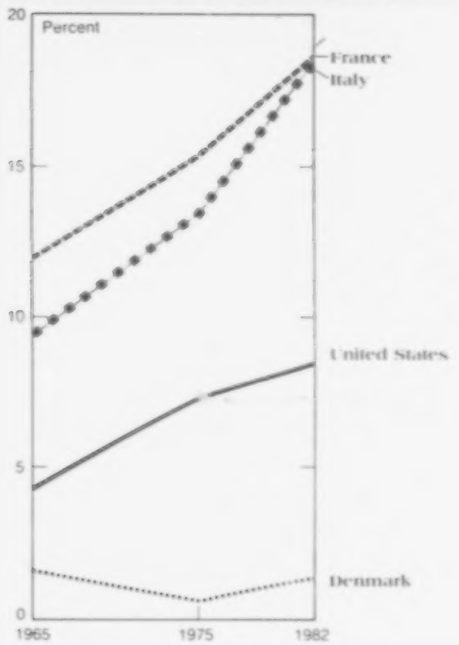
Taxes on Personal Income



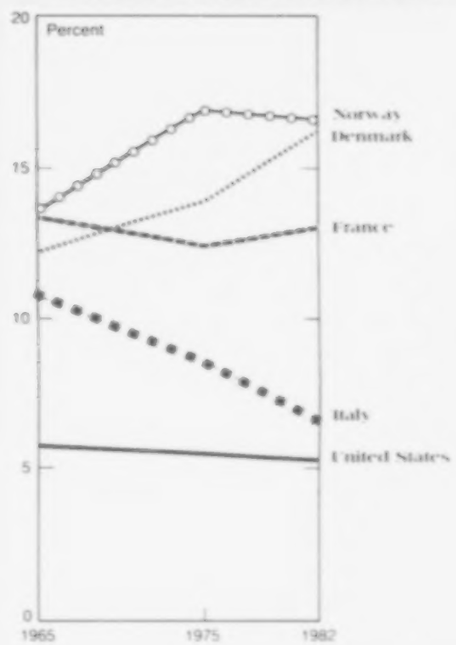
Taxes on Corporate Income



Social Security Contributions

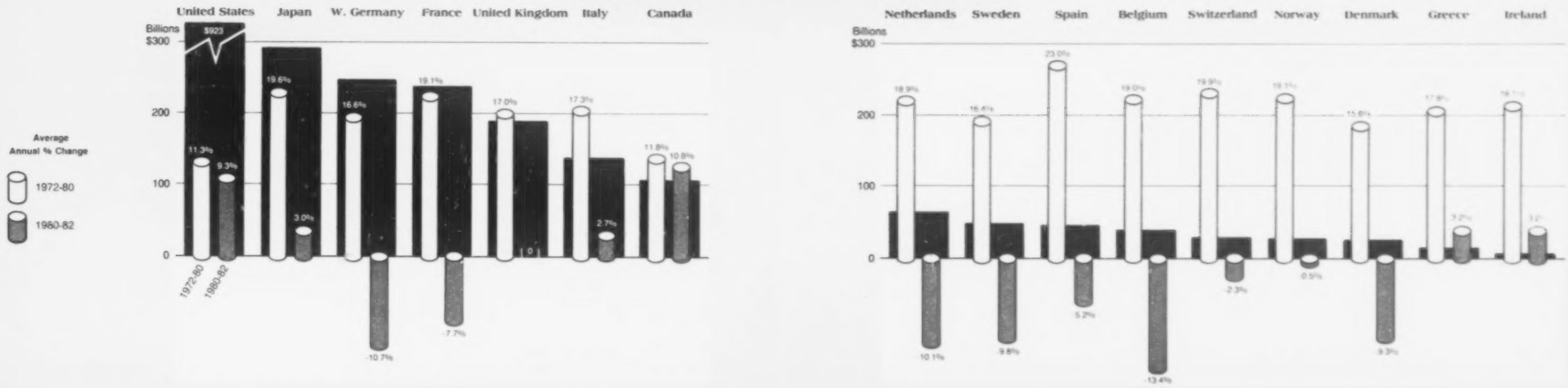


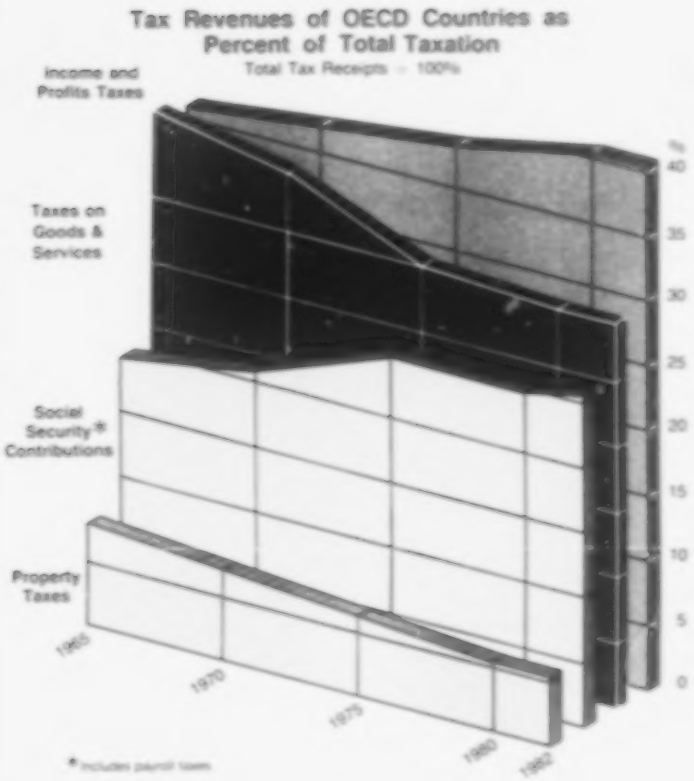
Taxes on Goods and Services



Tax Receipts - 1982

(Billions of Dollars)





Measured in dollars per head, the tax-burden picture shifts somewhat. Norway with $6,530 supplants Sweden ($6,000) as the highest taxed country, followed by Denmark ($4,800), Switzerland ($4,600) and France ($4,300). The per capita tax is around $4,000 in the United States, Germany and Belgium, $2,500 in Italy and Japan, and $1,200 in Greece and Spain.

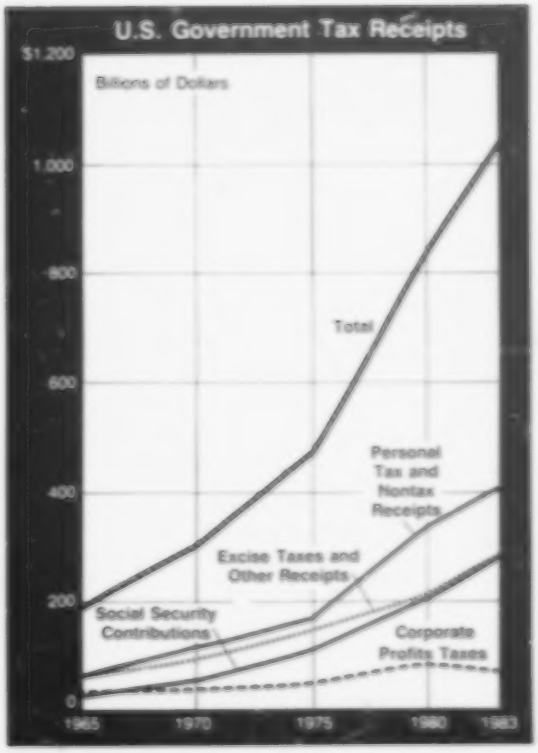
Governments rely on three main sources of tax for revenue—taxes on income and profits, taxes on goods and services (sales, value added, excise taxes), and social security contributions (by both employers and employees). Property taxes in most countries account for less than 2% of GDP.

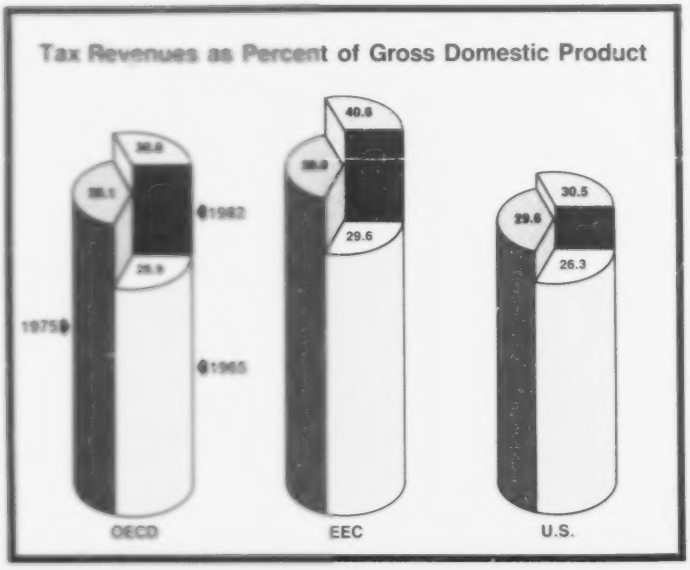
Government transfer payments are a form of negative taxation. Family allowances or subsidies to business can take the form either of tax relief or of direct transfers financed from government revenues. When the tax relief method is used, the result is to depress the amount of tax revenues collected. Most countries use a combination of the two methods in their pursuit of certain public policy objectives.

As a consequence of economic growth and the resulting rise in nominal incomes, and a progressive tax structure in the OECD countries, tax revenues in the OECD grew at about 15% annually between 1972 and 1980. The advance has since slowed to approximately ¾% per year. A number of countries actually have seen their tax revenues decline, especially those with a high tax-to-GDP ratio.

Eva Culen

Sources: OECD; U.S. Department of Commerce; The Conference Board.





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